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CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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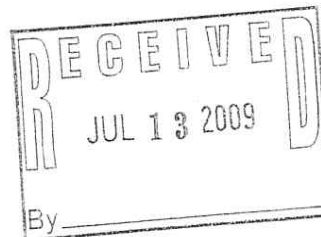
ALPINE FIRE PROTECTION DISTRICT

COUNTY OF SAN DIEGO
ALPINE, CALIFORNIA

AUDIT REPORT

JUNE 30, 2008

DATE RECEIVED:



AUDIT REVIEW #(s) 04893

Assigned To: Leahy

Date Reviewed: 7/14/09

Reviewer's Initials: SL

Date Review(s) Completed: 7/14/09

ALPINE FIRE PROTECTION DISTRICT

INTRODUCTORY SECTION

JUNE 30, 2008

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ALPINE FIRE PROTECTION DISTRICT

FINANCIAL SECTION

JUNE 30, 2008

ROY T. HOSAKA, C.P.A.
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MEMBER
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Alpine Fire Protection District
Alpine, California

We have audited the accompanying financial statements of the Alpine Fire Protection District as of, and for the year ended June 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the Alpine Fire Protection District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alpine Fire Protection District, as of June 30, 2008, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 11 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITORS' REPORT
PAGE 2

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2008, on our consideration of the Alpine Fire Protection District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary financial and statistical information listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the Alpine Fire Protection District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in material respects in relation to the financial statements taken as a whole.

Hosaka, Nagel & Company

San Diego, California
August 1, 2008

**ALPINE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2008**

As management of the Alpine Fire Protection District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two main parts (1) Management's Discussion and Analysis and, (2) Basic Financial Statements.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB No. 34 established financial reporting standards for state and local governments, including cities, villages and special purpose governments.

FINANCIAL HIGHLIGHTS

- The District's ending Total Net Asset balance was \$7,798,899.¹
- The Change in Net Assets for the year was \$554,853.²
- The District had Revenue in excess of expenses in the General Fund (before Transfers) in the amount of \$453,415 in the current year compared to \$542,866 in the previous year.³
- This year the District had \$42,278 worth of additions to Capital Assets compared to \$98,796 last year.⁴
- The District's General Fund Final Budget for this year showed Excess Revenue over Expenditures (before Transfers) of \$114,957 compared to the actual amount of \$453,415.⁵

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's audit report is comprised of four components: 1) financial statements and notes, 2) supplementary information, 3) reports on compliance and internal control, and 4) findings and recommendations.

¹ Statement of Net Assets, pg 12

² Statement of Activities, pg 13

³ Statement of Revenues, Expenditures and Changes in Fund Balances, pg 18

⁴ Statement of Revenues, Expenditures and Changes in Fund Balances, pg 17

⁵ Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual, pg 47

**ALPINE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2008**

Basic financial statements. The basic financial statements include government-wide financial statements and fund statements. The two sets of statements are tied together by Reconciliations showing why they differ.

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector.

More detailed information about the district's most significant funds – not the district as a whole is provided in the fund financial statements. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs.

The *Statement of Net Assets*, a government-wide statement, presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities*, a government-wide statement, presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Balance Sheet* for governmental funds presents financial information by fund types showing money left at year-end available for spending.

The *Statement of Revenues, Expenditures and Changes in Fund Balances* for all governmental fund types focuses on how money flows into and out of the various funds.

The *Notes to the Basic Financial Statements* are included to provide more detailed data and explain some of the information in the statements.

Supplementary Information. The supplementary information gives an overview of the operations of the District and the governing body and outlines assessed property valuation.

Reports on Compliance and Internal Control. Encompasses the independent auditor's reports showing compliance with Government Auditing Standards and provides additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**ALPINE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2008**

Findings and Recommendations. This section notes material weaknesses in the system and recommendations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Fiscal year 2007/08 showed a \$554,853⁶ increase in total net assets to \$7,798,899, of this \$3,937,818⁷ was invested in capital assets net of related debt and the balance to restricted and unrestricted funds.

Statement of Net Assets

To begin our analysis, a summary of the District's Statement of Net Assets is presented in Table 1 below for the current year and the prior year.

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,798,899 as of June 30, 2008.⁸

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its constituents; consequently, these assets are not available for future spending.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

⁶ Statement of Activities, pg 13

⁷ Statement of Net Assets, pg 12

⁸ Statement of Net Assets, pg 12

**ALPINE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2008**

TABLE 1
Condensed Statement of Net Assets

	<u>FY 07/08</u>	<u>FY 06/07</u>	<u>\$ Change</u>
(a) Current and Other Assets	\$4,057,598	\$3,556,991	\$ 500,607
(b) Capital Assets (Net)	5,569,525	5,798,375	(228,850)
TOTAL ASSETS	<u><u>\$9,627,123</u></u>	<u><u>\$9,355,366</u></u>	<u><u>\$ 271,757</u></u>
(c) Current Liabilities	\$ 147,177	\$ 195,496	\$ (48,319)
(d) General Long-Term Debt	1,681,047	1,915,824	(234,777)
TOTAL LIABILITIES	<u><u>\$1,828,224</u></u>	<u><u>\$2,111,320</u></u>	<u><u>\$ (283,096)</u></u>
Net Assets:			
(e) Investment in General Fixed Assets	\$3,937,818	\$3,927,651	\$ 10,167
(f) Fund Balance, Reserved	1,747,328	1,479,184	268,144
(g) Fund Balance, Unreserved & Undesignated	2,113,753	1,837,211	276,542
TOTAL NET ASSETS	<u><u>\$7,798,899</u></u>	<u><u>\$7,244,046</u></u>	<u><u>\$ 554,853</u></u>

(a)⁹, (b)¹⁰, (c)¹¹, (d)¹², (e)¹³, (f)¹⁴, (g)¹⁵

Statement of Activities

- The District's total revenues for the fiscal year ended June 30, 2008, excluding inter-fund transfers, increased to \$3,706,547.¹⁶ This was due primarily to an increase in revenue for property tax and assessments, reimbursements and investment income.
- The District's total expenses including investment in capital assets increased to \$3,151,694¹⁷ due to overall increases in the general cost of doing business.
- The change in Net Assets was \$554,853.¹⁸

⁹ Statement of Net Assets, pg 12 (Total Assets-Capital Assets (Net))

¹⁰ Statement of Net Assets, pg 12

¹¹ Statement of Net Assets, pg 12 (Total Liabilities-General Long-Term Debt)

¹² Statement of Net Assets, pg 12

¹³ Statement of Net Assets, pg 12

¹⁴ Statement of Net Assets, pg 12

¹⁵ Statement of Net Assets, pg 12

¹⁶ Statement of Activities, pg 13

¹⁷ Statement of Activities, pg 13

¹⁸ Statement of Activities, pg 13

**ALPINE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2008**

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2008.

TABLE 2
Condensed Statement of Activities

	<u>FY 07/08</u>	<u>FY 06/07</u>	<u>\$ Change</u>
(a)			
Property Taxes, Fees & Assessments	\$ 3,169,679	\$ 2,998,545	\$ 171,134
Interest and Investment Earnings	151,855	141,382	10,473
Grants and Mitigation Fees	181,571	335,583	(154,012)
Miscellaneous	203,442	163,139	40,303
TOTAL REVENUE	<u>3,706,547</u>	<u>3,638,649</u>	<u>67,898</u>
(b)			
Operating Expenses	2,776,044	2,575,626	200,418
Administration and Depreciation	375,650	372,376	3,274
TOTAL EXPENSES	<u>3,151,694</u>	<u>2,948,002</u>	<u>203,692</u>
(c)			
Change in Net Assets	<u>\$ 554,853</u>	<u>\$ 690,647</u>	<u>\$ (135,794)</u>

(a) (b) (c) ¹⁹

¹⁹ Statement of Activities, pg. 13

**ALPINE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2008**

Significant Changes in Individual Funds

The District's general fund showed an increase of \$473,670 over the prior year. This increase is due to conservative budgeting and planned fiscal recovery.

TABLE 3
Comparison of Fund Balances

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)
General	\$ 3,692,298	\$ 3,218,628	\$ 473,670
Capital Projects	-	-	-
Special Revenue	218,123	142,867	75,256
Total	<u>\$ 3,910,421</u>	<u>\$ 3,361,495</u>	<u>\$ 548,926</u>

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Special Revenue funds showed an increase of \$75,256 due to planned fiscal recovery.

General Fund Budgetary Highlights

The General fund had the following Excess of Expenditures Over Appropriations (instances where actual amounts exceeded budgeted amounts) in individual categories:

TABLE 4
Excess Expenditures Over Appropriations

The District had no excess expenditures over appropriations.

The District's Total Budget for the General Fund for this year showed Excess Revenue Over Expenditures (before Transfers) of \$114,957 compared to the actual amount of \$453,415.²¹ The District's financial results exceeded expectations for the year by \$338,458. This was due primarily to an increase in revenue for property tax and assessments, reimbursements, investment income and conservative budgeting.

²⁰ Balance Sheet – Fund Balances, pg 14

²¹ Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual, pg 47

**ALPINE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2008**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's major holdings in capital assets and capital investment are land and structures. Station 17 was completed in March 2006 and represents \$5,358,465 in capital assets. Equipment represents \$1,529,728 in capital assets and includes apparatus and command vehicles (2001 Type 1 pumper, 2005 Type 1 pumper, 2002 Type III brush rig, 1998 Ford F150, 2004 Ford Expedition, 2004 Dodge Durango, 2007 Ford Ranger, 2008 Ford Expedition XLT). Replacement for apparatus and vehicles is based on a 10 year usable life schedule. Increase in capital assets over prior period of \$42,278 was principally in equipment and vehicles.

TABLE 5
Changes in Capital Assets

Capital Assets	Balance June 30, 2008	Balance June 30, 2007	Increase (Decrease)
Land	\$ 644,613	\$ 644,613	\$ -
Construction in Progress	-	-	-
Structures and Improvements	4,713,852	4,713,852	-
Equipment and Vehicles	1,529,728	1,487,450	42,278
Total	\$ 6,888,193	\$ 6,845,915	\$ 42,278

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Long-Term Debt

On August 20, 2002, the District entered into a capital lease/purchase agreement to provide financing for the remaining cost of construction for Station 17. As of June 30, 2008, the balance remaining on this note was \$1,631,707.²³ The District forecasts capital expenditures on a 15 year cycle; the forecast is updated annually to capture changes in income and expense categories. Capital replacement cycle is included in this cycle and is updated annually to capture changes.

²² Statement of Net Assets, pg 12 and Note 6, pg 37

²³ Statement of Net Assets, pg 15

**ALPINE FIRE PROTECTION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2008**

FACTORS BEARING ON THE DISTRICT'S FUTURE

The economic future for the District is considered positive based on current projections. With sound financial decisions, conservative spending trends, investments focused on the preservation of principal, with strong team leadership and a continuation of sound management practices, combined with the fiduciary oversight provided by the Board of Directors, this District will continue to serve the citizens and to fulfill its mission statement.

"We are a public safety organization of dedicated professionals whose mission is to save lives, protect property and the environment, and serve the community".

CONTACTING THE DISTRICT

Questions regarding this report should be directed to Bill Paskle, Acting Fire Chief and / or Jean Moore, Finance Officer at (619) 445-2635, or by mail at 1364 Tavern Road, Alpine, CA 91901.

ALPINE FIRE PROTECTION DISTRICT



**ALPINE FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities
ASSETS	
Cash in Bank and on Hand	\$ 15,299
Cash in County Treasury	1,517,115
Cash in LAIF	1,645,961
Funds held in PASIS	529,205
Investments	300,000
Accounts Receivable	50,018
Capital Assets:	
Land	644,613
Structures and Improvements	4,713,852
Equipment	1,529,728
Less: Accumulated Depreciation	<u>(1,318,668)</u>
TOTAL ASSETS	<u>9,627,123</u>
LIABILITIES	
Accounts Payable	29,610
Payroll Liabilities	39,355
Accrued Vacation	74,010
Other Current Liabilities	4,202
General Long-Term Debt:	
Due Within One Year	297,201
Due After One Year	<u>1,383,846</u>
TOTAL LIABILITIES	<u>1,828,224</u>
NET ASSETS	
Invested in Capital Assets Net of Related Debt	3,937,818
Restricted for:	
Fire Mitigation	218,123
PASIS	529,205
Economic Uncertainties	1,000,000
Unrestricted, reported in:	
General Fund	<u>2,113,753</u>
TOTAL NET ASSETS	<u><u>\$ 7,798,899</u></u>

The notes to the basic financial statements are an integral part of this statement.

ALPINE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Functions/ Programs	Program Revenues				Net (Expenses), Revenues, and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants - Mitigation	
Governmental Activities					Governmental Activities
Fire Protection - Operations	\$ 2,706,827	\$ -	\$ 93,673	\$ 87,898	\$ (2,525,256)
Debt Service	69,217	-	-	-	(69,217)
General Administration	104,521	-	-	-	(104,521)
Unallocated Depreciation	271,129	-	-	-	(271,129)
Total Governmental Activities	\$ 3,151,694	\$ -	\$ 93,673	\$ 87,898	(2,970,123)
General Revenues					
Property Taxes					2,769,765
Benefit Fees					399,914
Interest and Investment Earnings					151,855
Miscellaneous					203,442
Total General Revenues					3,524,976
Change in Net Assets					554,853
Net Assets - Beginning					7,244,046
Net Assets - Ending					\$ 7,798,899

The notes to the basic financial statements are an integral part of this statement.

**ALPINE FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

ASSETS	General	Other Governmental Funds	Total Governmental Funds
Cash in Bank and on Hand	\$ 15,299	\$ -	\$ 15,299
Cash in County Treasury	1,317,101	200,014	1,517,115
Cash in LAIF	1,645,961	-	1,645,961
Funds held in PASIS	529,205	-	529,205
Investments	300,000	-	300,000
Accounts Receivable	31,909	18,109	50,018
TOTAL ASSETS	\$ 3,839,475	\$ 218,123	\$ 4,057,598
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 29,610	\$ -	\$ 29,610
Payroll Liabilities	39,355	-	39,355
Accrued Vacation	74,010	-	74,010
Other Current Liabilities	4,202	-	4,202
Total Liabilities	147,177	-	147,177
Fund Balances:			
Reserved for:			
Fire Mitigation	-	218,123	218,123
PASIS	529,205	-	529,205
Economic Uncertainties	1,000,000	-	1,000,000
Unreserved, reported in:			
General Fund	2,163,093	-	2,163,093
Total Fund Balances	3,692,298	218,123	3,910,421
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,839,475	\$ 218,123	\$ 4,057,598

The notes to the basic financial statements are an integral part of this statement.

**ALPINE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Total Fund Balances - Governmental Funds	\$ 3,910,421
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Amounts reported for governmental activities are not short-term financial resources and therefore are not reported as assets in governmental funds. The historical acquisition cost of the assets is \$6,888,193 and the accumulated depreciation is \$1,318,668.

5,569,525

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Capital Leases	\$ 1,631,707	
Compensated Absences	49,340	(1,681,047)

Total Net Assets - Governmental Activities	\$ 7,798,899
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The notes to the basic financial statements are an integral part of this statement.

ALPINE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 2,769,765	\$ -	\$ 2,769,765
Benefit Fees	399,914	-	399,914
Mitigation Fees	-	87,898	87,898
Grant Income	93,673	-	93,673
Interest	144,242	7,613	151,855
Other	203,442	-	203,442
	<u>3,611,036</u>	<u>95,511</u>	<u>3,706,547</u>
Total Revenues			

The notes to the basic financial statements are an integral part of this statement.

**ALPINE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	General	Other Governmental Funds	Total Governmental Funds
EXPENDITURES			
Salaries	1,523,415	-	1,523,415
Employee Benefits	703,976	-	703,976
Directors Fees	5,700	-	5,700
Communications	90,178	-	90,178
District Insurance	43,848	-	43,848
District Special Expenses	75,004	-	75,004
Medical Supplies	5,098	-	5,098
Fire Prevention	8,580	-	8,580
Household	5,422	-	5,422
Maintenance - Structures	10,207	-	10,207
Maintenance - Equipments	84,068	-	84,068
Maintenance - Radios	824	-	824
Publications and Memberships	2,158	-	2,158
Office Expense	8,417	-	8,417
Small Tools	383	-	383
Professional Services	20,897	-	20,897
Training and Seminars	28,531	-	28,531
Clothing	28,977	-	28,977
Utilities	29,408	-	29,408
Grant Expenses	95,798	-	95,798
Workshops - Management and Board	11,906	-	11,906
Non-Capitalized Equipment	24,313	-	24,313
Capital Outlay	42,278	-	42,278
Debt Service:			
Principal	239,018	-	239,018
Interest	69,217	-	69,217
Total Expenditures	3,157,621	-	3,157,621

The notes to the basic financial statements are an integral part of this statement.

**ALPINE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess of Revenues Over (Under) Expenditures	<u>453,415</u>	<u>95,511</u>	<u>548,926</u>
Other Financing Sources (Uses)			
Operating Transfers In	20,255	-	20,255
Operating Transfers (Out)	<u>-</u>	<u>(20,255)</u>	<u>(20,255)</u>
Total Other Financing Sources (Uses)	<u>20,255</u>	<u>(20,255)</u>	<u>-</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	473,670	75,256	548,926
Fund Balances - Beginning	<u>3,218,628</u>	<u>142,867</u>	<u>3,361,495</u>
Fund Balances - Ending	<u><u>\$ 3,692,298</u></u>	<u><u>\$ 218,123</u></u>	<u><u>\$ 3,910,421</u></u>

The notes to the basic financial statements are an integral part of this statement.

**ALPINE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net Change in Fund Balances - Total Governmental Funds	\$ 548,926
Capital Outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay \$42,278 exceeds depreciation expense \$271,129.	(228,851)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt.	239,018
Increase in long-term debt for compensated absences.	<u>(4,240)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 554,853</u></u>

The notes to the basic financial statements are an integral part of this statement.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

The notes provided in the Financial Section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a summary of accounting policies and other necessary disclosure of pertinent matters relating to financial position and results of operations of the Alpine Fire Protection District (the District). The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Accounting Policies
- B. Implementation of New Accounting Pronouncements
- C. Basis of Presentation
- D. Basis of Accounting
- E. Fund Accounting
- F. Budgets and Budgetary Accounting
- G. Encumbrances
- H. Deferred Compensation
- I. Accumulated Vacation and Sick Leave
- J. Employee Retirement Plans
- K. Excess of Expenditures Over Appropriations
- L. Property Tax
- M. Assets, Liabilities, and Equity
- N. Fund Balance Reserves and Designations

NOTE 2 - USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

NOTE 3 - CLASSIFICATION OF ITEMS

NOTE 4 - ACCOUNTS RECEIVABLES

NOTE 5 - INTERFUND TRANSFERS

NOTE 6 - CAPITAL ASSETS

NOTE 7 - LEASES

NOTE 8 - CASH AND CASH EQUIVALENTS

NOTE 9 - GENERAL LONG-TERM DEBT

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 10 - INVESTMENTS

NOTE 11 - PENDING LITIGATION

NOTE 12 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

NOTE 13 - JOINT POWERS AGREEMENT

NOTE 14 - EARLY RETIREMENT PROGRAM

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Implementation of New Accounting Pronouncements

For the year ended June 30, 2004, the District was required to adopt GASB Statement No. 34 (GASB 34), Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37 (GASB 37), Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, GASB Statement No. 38 (GASB 38), Certain Financial Statement Note Disclosures, and GASB Statement No. 39 (GASB 39), Determining Whether Certain Organizations are Component Units. GASB 34 significantly changes the way state and local governments report their financial information to the public. As a result of GASB 34, state and local governments are required to report financial information using both fund-based and government-wide financial statement presentations. Fund-based statements continue to use the modified accrual basis of accounting, but the government-wide statement uses full accrual basis of accounting. In addition to the change in the financial statement presentation, GASB 34 requires the reporting of capital assets and long-term obligations on the government-wide financial statements. The preparation of a Management Discussion and Analysis to clarify the District's financial activities is also required by GASB 34. Furthermore, the District's notes to the financial statements incorporate modifications as required under GASB 38.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District and its component units. Internal service fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue. At June 30, 2008, the District did not have Deferred Revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major and nonmajor funds as follows:

Major Governmental Fund:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Nonmajor Governmental Fund:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains one nonmajor special revenue fund:

- The Fire Mitigation Fund is used for fees collected that can only be used to purchase capital assets.

F. Budgets and Budgetary Accounting

By State law, the District's Governing Board must adopt a tentative budget no later than July 1, and adopt a final budget no later than October 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (Continued)

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object accounts. Appropriations do not carryover from year to year.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

H. Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time employees, permits deferment of a portion of current salary to future years. Benefits from the plan are not available to employees until termination, retirement, disability, death or unforeseeable emergencies.

All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The District does not meet the criteria for fiduciary fund reporting since it does not have either significant administrative involvement (e.g. custody) or performs the investment function. Therefore, the fair market value of the plan assets at June 30, 2008, in the amount of \$671,477, are not included in the District's financial statements.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Accumulated Vacation and Sick Leave

On July 1, 1999, the District changed its policy on vacation and sick leave. Every employee (except Cadets) shall be eligible for vacation with pay after six months of continued service with the employer. Employees shall start to earn vacation allowance as of their first date of employment. The maximum accumulated total which may be carried in vacation time from one fiscal budget year to the next is one shift. Vacation allowance shall be earned annually based on the following schedule:

<u>Length of Service</u>	<u>Shift Personnel</u>	<u>40 Hour personnel</u>
1 to 4 years	144 hours	48 hours
5 to 9 years	168 hours	56 hours
10 to 14 years	192 hours	64 hours
15 to 19 years	216 hours	72 hours
20 to 24 years	240 hours	80 hours
25 +	264 hours	88 hours

Administrative Support Staff:

1-5 years of employment 128 hours
5 + years of employment 168 hours

Employees shall accumulate sick leave from the first day of employment and shall continue to do so until they have accumulated a maximum of 2880 hours for safety personnel, 1440 hours for non-safety personnel. The accrual for sick leave shall be at the rate of 21 hours per month or ten and one-half (10 1/2) shifts per year. Sick leave may be converted to vacation at the rate of three hours of sick leave for one hour of vacation so that no employee will exceed the cap of 2880 hours. Sick leave shall be accrued at a rate of 10 hours per month. There shall be no limit to accrued sick leave. All unused sick leave shall be carried forward from one fiscal year to the next.

Employees shall be compensated in cash for unused sick leave at the rate of one quarter of their regular rate of pay for any unused accumulation of sick leave when they are permanently separated from service by resignation, death, retirement, service retirement, or discharge so long as the employee has previously completed five (5) years of full-time service to the District.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Accumulated Vacation and Sick Leave (Continued)

On June 30th employees may cash out ten percent (10%) of current fiscal year accrual at their regular rate of pay if they used less than 72 hours of sick leave during that fiscal year.

At June 30, 2008, the accumulated unpaid liabilities related to vacation benefits were \$9,727 and unused sick leave of \$113,623 for a total of \$123,350. Of this amount, \$49,340 is recorded in General Long-Term Debt and \$74,010 is recorded in the Current Liability Section.

J. Employee Retirement Plans

Plan Description and Funding Policy

CalPERS

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their Executive Office - 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the current rate is 22.665% for non-safety employees, and 34.527% for safety employees, of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Employee Retirement Plans (Continued)

Annual Pension Cost

For 2008, the District's annual pension cost of \$483,368, which includes both the District's and employees' contribution, for CalPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of services, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2003, was five years for prior service unfunded, and fifteen years for remaining unfunded.

Benefit provisions for CalPERS are established by the Public Employees Retirement Law (Part 3 of the California Government Code, Section 20000 et seq.).

THREE YEAR TREND INFORMATION FOR CalPERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$344,408	100%	\$ - 0 -
6/30/07	\$490,169	100%	\$ - 0 -
6/30/08	\$483,368	100%	\$ - 0 -

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Employee Retirement Plans (Continued)

FUNDED STATUS OF THE SAFETY PLAN

Valuation Date	Entry Age Normal Accrual Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
6/30/04	\$ 5,383,921,942	\$ 4,424,586,846	\$ 959,335,096	82.2%	\$ 575,296,434	166.8%
6/30/05	\$ 6,367,049,264	\$ 5,295,150,375	\$ 1,071,898,889	83.2%	\$ 664,147,796	161.4%
6/30/06	\$ 7,278,049,834	\$ 6,102,615,567	\$ 1,175,434,267	83.9%	\$ 754,730,438	155.7%

FUNDED STATUS OF THE MISCELLANEOUS PLAN

Valuation Date	Entry Age Normal Accrual Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a % of Payroll [(a)-(b)]/(c)
6/30/04	\$ 681,517,006	\$ 580,960,891	\$ 100,556,115	85.2%	\$ 160,107,449	62.8%
6/30/05	\$ 872,346,612	\$ 729,556,809	\$ 142,789,803	83.6%	\$ 203,995,039	70.0%
6/30/06	\$1,280,157,040	\$ 1,069,546,974	\$ 210,610,066	83.6%	\$ 304,898,179	69.1%

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Excess of Expenditures Over Appropriations

For the year ended June 30, 2008, the District did not have any excess of expenditures over appropriations.

L. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10, and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

M. Assets, Liabilities, and Equity

1. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Assets, Liabilities, and Equity (Continued)

1. Capital Assets (Continued)

Asset Class	Examples	Estimated Useful Life In Years
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
HVAC Systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior Construction		25
Carpet Replacement		7
Electrical/Plumbing		30
Sprinkler/Fire System	Fire suppression systems	25
Outdoor Equipment	Radio towers, fuel tanks, pumps	20
Machinery and Tools	Shop and maintenance equipment, tools	15
Kitchen Equipment	Appliances	15
Custodial Equipment	Floor scrubbers, vacuums, other	15
Science and Engineering	Lab equipment, scientific apparatus	10
Furniture and Accessories	Office and other furniture	7
Business Machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication Equipment	Mobile, portable radios, non-computerized	10
Computer Hardware	PC's, printers, network hardware	5
Computer Software	Instructional, other short-term	5 to 10
Computer Software	Administrative or long-term	10 to 20
Audio Visual Equipment	Projectors, cameras (still and digital)	10
Athletic Equipment	Weight machines, exercise equipment	10
Library Books	Reference Books	5 to 7
Licensed Vehicles	Heavy duty general purpose, other on-road vehicles	5
Contractors Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressors	10
Grounds Equipment	Mowers, tractors, attachments	15

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Assets, Liabilities, and Equity (Continued)

2. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

3. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

4. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1, and February 1, and taxes become delinquent after December 10, and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1, of each year.

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use.

At June 30, 2008, the District had the following reserves:

Fire Mitigation	\$	218,646
PASIS	\$	529,205
Economic Uncertainties	\$	1,000,000

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period. At June 30, 2008, the District did not have any designations.

NOTE 2 - USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 3 - CLASSIFICATION OF ITEMS

Certain items may have been classified differently from one year to another.

NOTE 4 - ACCOUNTS RECEIVABLES

The accounts receivable balances at June 30, 2008, consist of the following:

ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 4 - ACCOUNTS RECEIVABLES (CONTINUED)

	General Fund	Fire Mitigation Fund	TOTAL
Property Taxes	\$ 5,157	\$ -	\$ 5,157
Interest	24,104	1,694	25,798
Fire Mitigation Fees	-	16,415	16,415
Other	2,648	-	2,648
TOTAL	\$ 31,909	\$ 18,109	\$ 50,018

NOTE 5 - INTERFUND TRANSFERS

Interfund Receivables/Payables

The District did not have any interfund receivables or payables at June 30, 2008.

Interfund Transfers

The District had a following interfund transfers as follows.

<u>Transferred In</u>	<u>Transferred Out</u>	<u>Total Amount</u>
General	Other Governmental	<u>\$ 20,255</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, is shown below:

ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Land	644,613	-	-	644,613
Total Capital Assets, Not Being Depreciated	644,613	-	-	644,613
Capital Assets, Being Depreciated:				
Structures & Improvements	4,713,852	-	-	4,713,852
Equipments and Vehicles	1,487,450	42,278	-	1,529,728
Total Capital Assets, Being Depreciated	6,201,302	42,278	-	6,243,580
Less Accumulated Depreciation for:				
Structures & Improvements	302,055	113,147	-	415,202
Equipments and Vehicles	745,484	157,982	-	903,466
Total Accumulated Depreciation	1,047,539	271,129	-	1,318,668
Total Capital Assets, Being Depreciated, Net	5,153,763	(228,851)	-	4,924,912
Governmental Activities Capital Assets, Net	<u>\$5,798,376</u>	<u>\$ (228,851)</u>	<u>\$ -</u>	<u>\$ 5,569,525</u>

NOTE 7 - LEASES

Capital Leases

The District has entered into a lease agreement with Municipal Finance Corporation (the Corporation) to finance the construction of certain public improvements (the Project) on a District owned site, without violating the agreed upon terms and conditions placed on the District when it was originally acquired. The lease agreement provides a sublease/option which allows the District to lease the Project and sublease the site from the Corporation and provides the right of the District to exercise its option to purchase the Project. The term of the lease will be terminated on the date that this option is exercised. On May 18, 2004, the lease was amended to add an additional \$500,000 to the lease.

ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 7 - LEASES (CONTINUED)

Capital Leases (Continued)

Future minimum lease payments under the signed agreement are as follows:

Year Ending June 30,	Lease Payments
2009	\$ 308,234
2010	308,234
2011	308,234
2012	308,234
2013	308,234
2014	308,234
TOTAL	1,849,404
Less: Amount Representing Interest	<u>(217,697)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 1,631,707</u>

Operating Leases

The District did not enter into any Operating Lease arrangements for the year ended June 30, 2008.

NOTE 8 - CASH AND CASH EQUIVALENT

Cash and Cash Equivalent at June 30, 2008, consisted of the following:

Pooled Funds:

Cash in County Treasury	\$ 1,517,115
Funds Held in PASIS	\$ 529,205
Cash in LAIF	\$ 1,645,961

Deposits:

Cash in Banks and on Hand	\$ 13,621
Cash in Money Market Accounts	\$ 1,678

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 8 - CASH AND CASH EQUIVALENT (CONTINUED)

Cash balance held in banks and in revolving funds are insured up to \$100,000 by Federal agencies.

The District maintains cash in the San Diego County Treasury as part of the common investment pool. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. Government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

These pooled funds are carried at cost which approximates market value. The difference between cost and market value is considered to be immaterial.

At June 30, 2008, the fair market value of the pooled funds, as determined by the County Treasury is 100.36% of cost. The District's share of the unrealized gain is as follows:

<u>Carrying Amount</u>	<u>Fair Market Value</u>	<u>Unrealized Gain</u>
<u>\$ 1,517,115</u>	<u>\$ 1,522,576</u>	<u>\$ 5,461</u>

NOTE 9 - GENERAL LONG-TERM DEBT

The General Long-Term Debt at June 30, 2008, consists of the following:

Accrued Vacation/Sick Leave	
Net of Current Portion of \$74,010 (Note 1I)	\$ 49,340
Capital Leases Payable (Note 7)	<u>1,631,707</u>
TOTAL	<u>\$ 1,681,047</u>

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 10 - INVESTMENTS

Investments are carried at cost. The difference between cost and market value is considered to be immaterial.

Investments are comprised of the following at June 30, 2008:

<u>Description</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Fixed Income	<u>\$ 300,000</u>	<u>\$ 297,657</u>	<u>\$ (2,343)</u>

NOTE 11 - PENDING LITIGATION

The District has been named in a lawsuit by San Diego Gas & Electric (SDG&E). SDG&E has been sued by homeowners who sustained losses in the October 2007 Witch Creek fire in San Diego County. Should SDG&E be held liable for damages resulting from the Witch Creek fire, SDG&E believes the District must share the responsibility due to the District's failure to provide adequate fire protection, and failure to enforce the numerous fire protection, fire prevention, brush clearance and vegetation management laws, and other applicable standards, as may be identified in the course of discovery.

Although the financial impact to the District cannot be determined at the present time, management has indicated that there appears to be no legal basis for this lawsuit. Management also believes that if the suit is allowed to proceed, it will be several years before the District's liability, if any, may be determined or monetarily quantified.

NOTE 12 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The District did not have post-retirement benefits at June 30, 2008.

ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 13 - JOINT POWERS AGREEMENT

A. PASIS

The District entered into a Joint Powers Agreement (JPA) known as the "Public Agencies Self Insurance System" (PASIS), a self-insurance plan for workers' compensation insurance. The PASIS is governed by a board consisting of a representative from each member district. The board controls the operations of the PASIS, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and share surpluses and deficits proportionate to their participation in the PASIS. The JPA is a separate entity which is independently audited.

Twelve San Diego County fire districts have entered into a Joint Powers Agreement, San Diego Public Agency Self-Insurance System (PASIS), to administer a program of risk management and workers' compensation self-insurance. PASIS' purpose is to provide for payment of workers' compensation claims. Excess insurance is purchased to cover losses which exceed specific amounts.

Condensed financial information from PASIS audited financial statements as of June 30, 2007, is as follows:

	District's Share	Total PASIS
Assets	\$ 510,266	\$ 4,751,081
Liabilities and Fund Balance		
Liabilities	\$ -	\$ -
Fund Balance	510,266	4,751,081
Total Liabilities and Fund Balance	\$ 510,266	\$ 4,751,081
	District's Share	Total PASIS
Revenues	\$ 25,497	\$ 237,401
Expenditures	(13,470)	(125,422)
Fund Balance Transactions	-	-
Net Income (Loss)	\$ 12,027	\$ 111,979

ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 13 - JOINT POWERS AGREEMENT (CONTINUED)

B. FAIRA

The District entered into a Joint Powers Agreement (JPA) known as the "Fire Agencies Insurance Risk Authority" (FAIRA), a self-insurance plan for general liability insurance. FAIRA is governed by an 11 member Board elected by a vote of the members. One seat is reserved for the highest premium member and one seat is reserved for an elected member from the State of Nevada. The board controls the operations of the FAIRA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the FAIRA. The JPA is a separate entity which is independently audited.

Condensed financial information from FAIRA audited financial statements at June 30, 2007, is as follows:

	<u>Total FAIRA</u>
Assets	<u>\$ 2,256,953</u>
Liabilities and Fund Equity	
Liabilities	\$ 47,508
Net Assets	<u>2,209,445</u>
Total Liabilities and Net Assets	<u>\$ 2,256,953</u>
	<u>Total FAIRA</u>
Operating Revenues	\$ 2,311,297
Expenditures	<u>(2,367,757)</u>
Operating Income (Loss)	(56,460)
Nonoperating Revenue	
Investments (Net)	<u>114,048</u>
Net Income	<u>\$ 57,588</u>

**ALPINE FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 14 - EARLY RETIREMENT PROGRAM

The District did not provide an early retirement program at June 30, 2008.

**ALPINE FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

JUNE 30, 2008

ALPINE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES -- BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property Taxes	\$ 2,707,627	\$ 2,707,627	\$ 2,769,765	\$ 62,138
Benefit Fees	398,590	398,590	399,914	1,324
Grant Income	71,278	101,155	93,673	(7,482)
Interest	145,000	40,000	144,242	104,242
Other	145,655	256,255	203,442	(52,813)
Total Revenues	<u>3,468,150</u>	<u>3,503,627</u>	<u>3,611,036</u>	<u>107,409</u>

The notes to the basic financial statements are an integral part of this statement.

**ALPINE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES -- BUDGET AND ACTUAL (GAAP) (CONTINUED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES				
Salaries	\$ 1,485,156	\$ 1,563,228	\$ 1,523,415	\$ 39,813
Employee Benefits	774,357	762,731	703,976	58,755
Directors Fees	6,000	6,000	5,700	300
Communications	94,155	94,155	90,178	3,977
District Insurance	55,625	55,625	43,848	11,777
District Special Expenses	82,925	93,925	75,004	18,921
Medical Supplies	9,010	9,010	5,098	3,912
Fire Prevention	15,385	15,385	8,580	6,805
Household	6,750	6,750	5,422	1,328
Maintenance - Structures	13,627	13,627	10,207	3,420
Maintenance - Equipments	89,529	89,529	84,068	5,461
Maintenance - Radios	3,450	3,450	824	2,626
Publications and Memberships	2,345	2,345	2,158	187
Office Expense	11,930	11,930	8,417	3,513
Small Tools	1,000	1,000	383	617
Professional Services	22,800	22,800	20,897	1,903
Training and Seminars	37,007	37,007	28,531	8,476
Clothing	45,150	45,150	28,977	16,173
Utilities	33,450	33,450	29,408	4,042
Grant Expenses	73,403	103,280	95,798	7,482
Transportation and Travel Expense	15,900	15,900	11,906	3,994
Non-Capitalized Equipment	51,880	51,880	24,313	27,567
Capital Outlay	42,278	42,278	42,278	-
Debt Service:				
Principal	239,018	239,018	239,018	-
Interest	69,217	69,217	69,217	-
Contingency Fund	79,176	-	-	-
Emergency Fund	5,000	-	-	-
Total Expenditures	3,365,523	3,388,670	3,157,621	231,049

The notes to the basic financial statements are an integral part of this statement.

**ALPINE FIRE PROTECTION DISTRICT
COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES -- BUDGET AND ACTUAL (GAAP) (CONTINUED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Excess of Revenues Over (Under) Expenditures	102,627	114,957	453,415	338,458
Other Financing Sources (Uses)				
Operating Transfers In	-	-	20,255	20,255
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	20,255	20,255
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	102,627	114,957	473,670	358,713
Fund Balances - Beginning	3,218,628	3,218,628	3,218,628	-
Fund Balances - Ending	<u>\$ 3,321,255</u>	<u>\$ 3,333,585</u>	<u>\$ 3,692,298</u>	<u>\$ 358,713</u>

The notes to the basic financial statements are an integral part of this statement.

**ALPINE FIRE PROTECTION DISTRICT
SUPPLEMENTARY INFORMATION SECTION**

JUNE 30, 2008

**ALPINE FIRE PROTECTION DISTRICT
ORGANIZATION
JUNE 30, 2008**

The Alpine Fire Protection District (the District) was formed as a fire protection district on June 21, 1948, and operates under the Health and Safety Code Sections 13801-13999 of the State of California and provides fire protection services to approximately 27.54 square miles of San Diego County east of the City of El Cajon. The activities of the District are supervised by a board consisting of five Directors who serve four year terms.

The Board of Directors for the fiscal year ended June 30, 2008, was composed of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Martin Marugg	President	November, 2010
Jim Easterling	Vice-President	November, 2010
Barbara Howell	Secretary	November, 2008
Mary Fritz	Director	November, 2010
Ron Fuller	Director	November, 2008

Acting Fire Chief

Bill Paskle

**ALPINE FIRE PROTECTION DISTRICT
ASSESSED VALUATION
JUNE 30, 2008**

Assessed Valuation

Secured Property (Net of Homeowners Exemption)	\$ 1,877,800,258
Unsecured Property	<u>25,803,337</u>
Total Assessed Valuation	<u><u>\$ 1,903,603,595</u></u>

**ALPINE FIRE PROTECTION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Program Title	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Federal Programs:			
Department of Homeland Security			
Hazard Mitigation	97.039	N/A	\$ 40,484
Disaster Grants	97.036	N/A	22,132
Assistance to Firefighters	97.044	N/A	<u>1,892</u>
Total U.S. Department of Homeland Security			<u>64,508</u>
 TOTAL FEDERAL PROGRAMS			 <u><u>\$ 64,508</u></u>

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements.

ALPINE FIRE PROTECTION DISTRICT
OTHER INDEPENDENT AUDITORS' REPORTS SECTION
JUNE 30, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Alpine Fire Protection District
Alpine, California

We have audited the financial statements of the Alpine Fire Protection District (the District) as of and for the year ended June 30, 2008, and have issued our report thereon dated August 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
PAGE 2**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities, where applicable, and is not intended to be and should not be used by anyone other than these specified parties.

Hosaka, Nagel & Company

San Diego, California
August 1, 2008

ROY T. HOSAKA, C.P.A.
JAMES C. NAGEL, C.P.A.

MEMBER
CALIFORNIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Alpine Fire Protection District
Alpine, California

We have audited the financial statements of the Alpine Fire Protection District for the year ended June 30, 2008, and have issued our report thereon dated August 1, 2008. Our audit was made in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations:

Gann Limit Calculation

Based on our audit, we found that, for the items tested, the Alpine Fire Protection District complied with the State laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Alpine Fire Protection District had not complied with the State laws and regulations.

Hosaka, Nagel & Company

San Diego, California
August 1, 2008

ALPINE FIRE PROTECTION DISTRICT
FINDINGS AND RECOMMENDATIONS SECTION
JUNE 30, 2008

**ALPINE FIRE PROTECTION DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Section I -- Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u>	<u> </u> No
Reporting condition(s) identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u>	<u> </u> None
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u>	<u> </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> N/A </u>	<u> </u> No
Reporting condition(s) identified not considered to be material weaknesses?	<u> </u> Yes	<u> N/A </u>	<u> </u> None

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)

<u> </u> Yes	<u> N/A </u>	<u> </u> No
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Identification of major programs

CFDA Number

Name of Federal Program

N/A

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 N/A Yes No

**ALPINE FIRE PROTECTION DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

State Awards

Internal control over state programs:

Material weakness(es) identified?

_____ Yes X No

Reporting condition(s) identified not considered
to be material weaknesses?

_____ Yes X None

Type of auditors' report issued on compliance for
state programs:

_____ Unqualified

Section II -- Financial Statement Findings

No matters were reported.

Section III -- Federal Award Findings and Questioned Costs

No matters were reported.

Section IV -- State Award Findings and Questioned Costs

No matters were reported.

ALPINE FIRE PROTECTION DISTRICT
STATUS OF PRIOR YEARS FINDINGS AND RECOMMENDATIONS
JUNE 30, 2008

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
None	N/A	N/A



ROY T. HOSAKA, C.P.A.
JAMES C. NAGEL, C.P.A.

MEMBER
CALIFORNIA SOCIETY OF
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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

ALPINE FIRE PROTECTION DISTRICT

**COUNTY OF SAN DIEGO
ALPINE, CALIFORNIA**

**REPORT TO THE
BOARD OF DIRECTORS**

JUNE 30, 2008

ROY T. HOSAKA, C.P.A.
JAMES C. NAGEL, C.P.A.

MEMBER
CALIFORNIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Alpine Fire Protection District
Alpine, California

We have audited the financial statements of Alpine Fire Protection District (the District), for the year ended June 30, 2008, and have issued our report thereon dated August 1, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U. S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our testes was not to provide an opinion on compliance with such provision.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated).

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations With Other Independent Accounts

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Alpine Fire Protection District
Board of Directors Report
Page 3 of 3

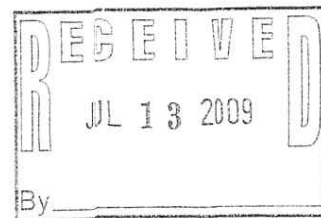
This information is intended solely for the use of the Audit Committee, Board of Directors, and Management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Hosaka, Nagel & Company

Hosaka, Nagel & Company
August 1, 2008



CALIFORNIA EMERGENCY MANAGEMENT AGENCY
LOCAL ASSISTANCE MONITORING BRANCH
 3650 SCHRIEVER AVENUE
 MATHER, CALIFORNIA 95655
 PHONE: (916) 845-8120 FAX: (916) 845-8380



July 9, 2009

Audit #04893

Ms. Jean Moore
 Finance Officer
 Alpine Fire Protection District
 1364 Tavern Road
 Alpine, CA 91901

SUBJECT: SINGLE AUDIT REPORT FOR THE PERIOD ENDED JUNE 30, 2008
 FIPS #073-91100

Dear Ms. Moore:

Since the California Emergency Management Agency (CalEMA) (formerly the Governor's Office of Emergency Services (OES)) is subject to the requirements of Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations, the CalEMA is required to monitor its subrecipients of federal awards to determine whether they have met the audit requirements of the Circular. The Circular specifically requires non-federal entities that expend \$500,000 or more in a year in federal awards to have either an annual single or program-specific audit, and that the audit report be submitted within nine months after the end of the audit period.

To date, an audit report for your organization for the year ended June 30, 2008 has not been received by the CalEMA. Accordingly, the CalEMA is requesting that you check one of the following options listed below, and return a signed copy of this letter to the above address within 30 days of its date, along with all appropriate documentation regarding your organization's compliance with the audit requirement. If findings were noted in your audit report, please include a summary of your management responses and corrective actions taken. In addition, please submit a copy of any separate letter to management mentioned in the audit report.

<input checked="" type="checkbox"/>	We have completed our A-133 audit for fiscal year(s) ended <u>JUNE 30, 2008</u> . A copy of the audit report(s) is enclosed.
<input type="checkbox"/>	We expect our A-133 audit for fiscal year(s) ended _____ will be completed by _____. A copy of our audit report along with our management responses and corrective actions taken related to any findings will be forwarded to the CalEMA within 30 days of receipt of the report.
<input checked="" type="checkbox"/>	We are not subject to A-133 audit because: <input checked="" type="checkbox"/> We are a for-profit organization <input type="checkbox"/> We expend less than \$500,000 in federal awards annually <input type="checkbox"/> We are a component entity of the following organization and included in its A-133 audit: _____ _____ Other (please explain) _____ _____

Ms. Jean Moore
July 9, 2009
Page 2

This is to certify that, to the best of our knowledge and belief, the data furnished above is accurate, complete and current.

<u>JEAN D MOORE</u>	<u>FINANCE OFFICER</u>
Type or Print Name	Title
<u>7/10/2009</u>	<u>Jean D Moore</u>
Date	Signature

If you have any questions regarding this issue, please contact our office at (916) 845-8120.

Sincerely,

Catherine Lewis

CATHERINE LEWIS
INTERIM BRANCH CHIEF